



State Representative



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Understanding Indiana's Property Tax Assessment System

Please allow me to briefly explain the changes that have been made to Indiana's property tax assessment system over the last several years and how it may have impacted the assessed value of your property.

As you may know, the Indiana Supreme Court ruled in 1998 that Indiana's old way of assessing property taxes was unconstitutional and ordered the state to move to a market value-based system, meaning property would be assessed based on predicted selling prices. The first attempt to move to the new system occurred with the 2002 general reassessment. Because the old system had generally undervalued property, many homeowners, especially those living in older homes, experienced a large increase in their assessed values. However, because of the timing and transition period necessary to conform to the new requirements, the 2002 reassessment only brought property values up to 1999 levels.

In order to avoid any future large increases in assessed value like that which occurred in 2002, the General Assembly passed a law which allowed for annual "trending" of assessed property values beginning in 2006 in an attempt to keep the assessed values current with selling prices. Unfortunately, last year's trending had to bridge the gap from 1999 to 2005, meaning there was the possibility of yet another large jump in the assessed values of homes, though hopefully for the last time. This span from 1999 values to 2005 values is why you and many of your neighbors witnessed such large increases in your assessed values.

As to why your assessment was substantially higher than the appraised value of your property, there are two possible explanations. One is that the trending process actually operates one year behind. Though the annual adjustment was conducted in 2006, your assessment was partly based on sales disclosure forms that were filed in 2005 on similar homes in your area. This one-year lag time could contribute to any discrepancies with an actual appraisal that was conducted more recently.

Another possibility is that, quite simply, assessing and appraising are subjective and reasonable minds can disagree on the value of a home. When you factor in the subjectivity involved in appraising property with the fact that your assessment is a year behind any appraisal that has been conducted, there is the possibility of a higher difference in values.

Allow me to also comment that, just because your assessed value increased, it does not necessarily mean that your property tax will increase by that amount. Two factors determine the amount you owe in property taxes- the assessed value of your home and the tax rate imposed by your taxing units (counties, schools, libraries, etc.). Because your local governmental units will need roughly the same amount of money as last year (with your typical small increase from year to year) and because many homeowners have also witnessed an increase in assessed values as we have bridged the gap between 1999 and 2005, it stands to reason that the tax rates will drop and your property tax bills may or may not increase substantially from last year. However, I will caution you that several property tax credits and deductions for homeowners are set to expire this year, which could cause your property tax bill to increase roughly 15% over last year.

The current budget bill being debated by the General Assembly does nothing to ease the burden of property taxes. I am hopeful that a solution can be developed this session to alleviate Hoosier property owners of this tax.